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FINANCIAL NEWS AND COMMENT
Credit Strain and Absorption of High Grade Securities by Careful Buyers.
EXPECT BROADER BUYING
Federal Reserve Banks in Several Districts Reach Limit of Lending Power.

By WILLIAM JUSTUS BOIES.
Although many explanations were put forth to explain the irregularity of security prices last week, the lack of buying power may be attributed to recognition of the fact that two-thirds of the Government has reached virtually the limit of their lending power, taking the 40 per cent. reserve ratio as the natural limit for such operations. Only the reserve banks of Boston, San Francisco, Cleveland and Philadelphia showed a sufficient margin to extend of that limit to enable them to extend appreciably their redemptive facilities. Of all the reserve banks, the local institution reported the lowest reserve figures, 32.2 per cent., which was not surprising because this market has had to bear the brunt of the July settlement financing. In such a situation the banks were naturally disappointed to find that the Government was again in the money market with a \$200,000,000 Treasury note issue because that appeal, coming so soon after the large June offering, was unexpected. It emphasized the continued dependence of the Government on the money market and indicated that the Treasury demand for short term financing would have to be reckoned with during the period when the harvesting movement should be under way.

Government and Banks.
Those developments and heavy withdrawal of Government deposits from banks directed fresh attention to the credit strain on the governing influence in investment affairs. They showed why it was that the syndicates were proceeding cautiously about bringing out new loans, and why bankers found it necessary to discriminate sharply between non-essential credits and those needed to finance productive enterprises. Not only this country but a good portion of the world is trying to borrow in this market at the moment when the interior banks are making heavy demands on their local correspondents as well as on the reserve banks in the effort to finance the highest production charges that the agricultural sections have encountered. Those demands are imperative and must be met to keep the wheels of commerce moving, since agriculture is the basic industry which, like transportation, must be maintained at high efficiency to get needed results. The Reserve Board is being impelled by various industries to show special consideration during the marketing season when merchandise shipments are being held up everywhere through the inability of railroads to handle the immense volume of traffic that the country is producing. The freight tieup has forced the banks to extend a large volume of loans which cannot be liquidated until the merchandise on which they made those loans be delivered and sales completed.

Old Lot Bond Buyers.
Notwithstanding those drawbacks, however, the bond market is broadening gradually in response to reinvestment of the July dividend and interest funds. The buying is not of the 1919 variety, nor is it spirited enough to cause sensational price advances. But it is intelligent and discriminating, being based on belief that the turn in the bond market is near at hand and that the present bid for credit is attractive enough to justify the employment of savings in bonds and notes running ten years or more. There has been quiet absorption of bonds by the investors, some of whom have drawn on their savings accounts, to purchase securities at prices showing 7 1/2 or 8 per cent. returns. A large lot of that type was absorbed recently by the public through average sales of less than \$2,500 each. There is more detailed work in distributing bonds in that way than there is in making larger individual sales to millionaire buyers. But securities acquired through retail sales of that order are apt to stay off the market for years. Such absorption is the kind that bankers prize most highly at a time like the present.

Financing Reconstruction.
A continuance of that kind of investment buying will go far to solve the problem of the market because this Government's participation in the world war was financed by 20,000,000 little investors as well as by the 300,000 large buyers who constituted the bond market before the house to house canvasses made every family in the United States know what a Liberty bond looked like. It is that old contingent that is the backbone of the bond market today because the men who ordinarily buy in \$10,000 or \$100,000 blocks are devoting their income to running the Government, which has made it necessary for the general houses to bid directly for the patronage of the thousands of small investors who usually deposit their savings at 4 per cent. with the savings banks. Many savings bank depositors have taken advantage of the opportunity to obtain the larger income derived from bond investments and are likely to follow suit. The movement will be watched with interest because it is capable of immense enlargement, as the potential odd lot contingent represents 99 per cent. of the population. Many thousands of those little investors are earning more than they ever earned before, and are well able to take a few \$500 bonds, notes or a few shares of a safe preferred stock.

Broader Distribution.
The striking advance in the Belgian and Swiss bonds and firmness of some other well known foreign issues has reflected a broader demand from small buyers in various parts of the country. Some interior banks are aiding in that distribution and arrangements are under way to strengthen that selling movement and make it more of a factor in the distribution of good securities among bona fide investors, which would be an important achievement because the 30,000 banks of the United States have been woefully neglectful of the bond market and opportunities to place good securities among the rank and file of American investors. Their failure to do so has been responsible largely for the success of wildcat financing and enormous sales of worthless securities by adroit promoters who have operated extensively in the West and South, within the last year or two. If the country banks took a quarter of the trouble that those promoters have taken to place their securities with the public the aggregate savings would have been sufficient to finance many industries that are badly in need of capital at this time. The Iowa Bankers Association has waged a campaign against unscrupulous promoters and has warned its members not to finance any man who is not acquainted with whom they are not acquainted. Investment markets are likely to be

affected by the developments in the railroad situation in connection with the new wage awards and the approaching advance in freight rates. One move must follow the other, as it would be impossible for railroads to increase their payrolls without materially enlarging their collections from the public. A better buying of railroad securities has been based on the judgment that the Interstate Commerce Commission would deal generously with the road situation, that the matter of the rate advance and that their finances would be so strengthened as to make it easy for them to place their securities with the public. The transportation act of 1920 Commission shall give the roads freight rates sufficient to enable them to earn 5 1/2 or 6 per cent. on their property investments and that that income shall be vouchsafed under all conditions. Judge Lovett has pointed out, however, that the rate problem never can be solved so long as the rate making power is divided between the Interstate Commerce Commission and forty-eight State commissions. But the new law, notwithstanding its defects, is the best that the railroads ever have had. It is a good thing that it would be possible for a State commission to reduce passenger fares to two cents a mile after September 1 the probability is that the roads will be able to pay for the new facilities for adequate transportation facilities will force State commissions to treat the roads fairly and not to try to compel them, to sell service below cost.

TOTAL TRANSACTIONS IN THE NEW YORK STOCK EXCHANGE

Sales for week		1920		1919		1918	
High	Low	High	Low	High	Low	High	Low
48 3/4	48 1/4	48 3/4	48 1/4	48 3/4	48 1/4	48 3/4	48 1/4
48 1/2	48 1/8	48 1/2	48 1/8	48 1/2	48 1/8	48 1/2	48 1/8
48 1/4	48 1/16	48 1/4	48 1/16	48 1/4	48 1/16	48 1/4	48 1/16
48 1/8	48 1/32	48 1/8	48 1/32	48 1/8	48 1/32	48 1/8	48 1/32
48 1/16	48 1/64	48 1/16	48 1/64	48 1/16	48 1/64	48 1/16	48 1/64
48 1/32	48 1/128	48 1/32	48 1/128	48 1/32	48 1/128	48 1/32	48 1/128
48 1/64	48 1/256	48 1/64	48 1/256	48 1/64	48 1/256	48 1/64	48 1/256
48 1/128	48 1/512	48 1/128	48 1/512	48 1/128	48 1/512	48 1/128	48 1/512
48 1/256	48 1/1024	48 1/256	48 1/1024	48 1/256	48 1/1024	48 1/256	48 1/1024
48 1/512	48 1/2048	48 1/512	48 1/2048	48 1/512	48 1/2048	48 1/512	48 1/2048
48 1/1024	48 1/4096	48 1/1024	48 1/4096	48 1/1024	48 1/4096	48 1/1024	48 1/4096
48 1/2048	48 1/8192	48 1/2048	48 1/8192	48 1/2048	48 1/8192	48 1/2048	48 1/8192
48 1/4096	48 1/16384	48 1/4096	48 1/16384	48 1/4096	48 1/16384	48 1/4096	48 1/16384
48 1/8192	48 1/32768	48 1/8192	48 1/32768	48 1/8192	48 1/32768	48 1/8192	48 1/32768
48 1/16384	48 1/65536	48 1/16384	48 1/65536	48 1/16384	48 1/65536	48 1/16384	48 1/65536
48 1/32768	48 1/131072	48 1/32768	48 1/131072	48 1/32768	48 1/131072	48 1/32768	48 1/131072
48 1/65536	48 1/262144	48 1/65536	48 1/262144	48 1/65536	48 1/262144	48 1/65536	48 1/262144
48 1/131072	48 1/524288	48 1/131072	48 1/524288	48 1/131072	48 1/524288	48 1/131072	48 1/524288
48 1/262144	48 1/1048576	48 1/262144	48 1/1048576	48 1/262144	48 1/1048576	48 1/262144	48 1/1048576
48 1/524288	48 1/2097152	48 1/524288	48 1/2097152	48 1/524288	48 1/2097152	48 1/524288	48 1/2097152
48 1/1048576	48 1/4194304	48 1/1048576	48 1/4194304	48 1/1048576	48 1/4194304	48 1/1048576	48 1/4194304
48 1/2097152	48 1/8388608	48 1/2097152	48 1/8388608	48 1/2097152	48 1/8388608	48 1/2097152	48 1/8388608
48 1/4194304	48 1/16777216	48 1/4194304	48 1/16777216	48 1/4194304	48 1/16777216	48 1/4194304	48 1/16777216
48 1/8388608	48 1/33554432	48 1/8388608	48 1/33554432	48 1/8388608	48 1/33554432	48 1/8388608	48 1/33554432
48 1/16777216	48 1/67108864	48 1/16777216	48 1/67108864	48 1/16777216	48 1/67108864	48 1/16777216	48 1/67108864
48 1/33554432	48 1/134217728	48 1/33554432	48 1/134217728	48 1/33554432	48 1/134217728	48 1/33554432	48 1/134217728
48 1/67108864	48 1/268435456	48 1/67108864	48 1/268435456	48 1/67108864	48 1/268435456	48 1/67108864	48 1/268435456
48 1/134217728	48 1/536870912	48 1/134217728	48 1/536870912	48 1/134217728	48 1/536870912	48 1/134217728	48 1/536870912
48 1/268435456	48 1/1073741824	48 1/268435456	48 1/1073741824	48 1/268435456	48 1/1073741824	48 1/268435456	48 1/1073741824
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48 1/68719476736	48 1/274877906944	48 1/68719476736	48 1/274877906944	48 1/68719476736	48 1/274877906944	48 1/68719476736	48 1/274877906944
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48 1/281474976710656	48 1/1125899906842624	48 1/281474976710656	48 1/1125899906842624	48 1/281474976710656	48 1/1125899906842624	48 1/281474976710656	48 1/1125899906842624
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